



State of Wisconsin • DEPARTMENT OF REVENUE

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Assembly Rural Affairs Committee Hearing, May 8, 2007

AB 33 – Distribution of Penalty for Converting Agricultural Land (Rep. Owens)

Description of Current Law and Proposed Change

Under current law, a person who converts land that was assessed as agricultural land to another purpose must pay a penalty to the county in which the land is located. The penalty per acre is 10.0%, 7.5% or 5.0% of the difference between the average per acre fair market value and the agricultural use value of the land, depending upon whether less than 10, 10 to 30, or over 30 acres of land, respectively, is converted. The county pays 50% of the penalty to the city, village or town where the land is located.

Under the bill, the county must pay the municipality's 50% share no later than August 20 of each year. The bill may change the timing of the payments to the city, village or town, but would not change the amount.

Fairness/Tax Equity

- The bill could require counties to distribute a municipality's share of penalties for converting agricultural land before the counties actually collect the amount. Assembly amendment 1 would address this issue by providing that the county treasurer would make distributions no later than 30 days after the county treasurer receives the payment.

Impact on Economic Development

- None.

Administrative Impact/Fiscal Effect

- The bill is estimated to have an unknown, but minimal, fiscal effect to reflect changes in the timing of payments.
- The Department has two concerns with the bill. The first of these is addressed by Assembly Amendment 1.
 1. Under the usual process for penalties applicable to converting agricultural land, amounts not previously collected would be part of the August settlement process. If the county has not collected the penalties at that time, it may choose to pay the amount to the municipality after it is actually collected.

If the intent of the provision is to specify a due date by which the county must pay the

taxation districts their share of the collected penalty, an alternative would be to revise section 74.485(6) to include that date since that provision deals specifically with the distribution of the penalty.

2. To be consistent with other property tax provisions, the Department recommends an effective date for conversions after January 1 following the publication of the bill.

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